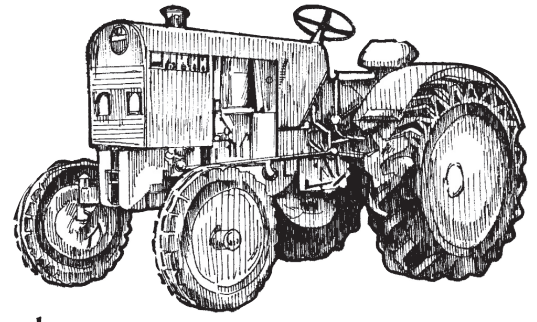


Eight Steps to Growing a Healthy Financial Future: A Guide For Farmers



Farming may be your passion, your life and your love, but it is also a business that requires careful planning and regular maintenance to be a success. Below are eight tips to help you cultivate a healthy financial future, for your family and your farm:

1 Get organized! Crunching numbers may not be your cup of tea, but it is important to keep accurate and detailed records. Being organized will be one of the most valuable tools you have in developing a successful farming operation, and will help guide you toward your short-term and long-term financial goals.

2 Create a business plan. A business plan is a written summary of what you hope to accomplish with your farm or agribusiness. It is a road map for operating the business, and for measuring progress along the way. The plan documents where the business is today, where the business is expected to be three to five years from now, and how you plan to get there. Basically, you need to take some time to think about the history of your farm and your vision for its future. Then, start writing it all down. You need to be honest with yourself – and on paper – about the strengths, weaknesses, opportunities and pressures facing your farm today. Below are some suggestions of what to include in your plan.

3 Build a budget for your household. It is important for your family to have a good understanding of the movement of money into and out of the household. Essentially, you need to use your newly-organized records (see above) to track your income and expenses in a year, starting with the last few months and working to project your income and expenses for the upcoming months. If this is the first time you are making a budget, you may find it useful to review several months of records. According to the United States Department of Agriculture (USDA), off-farm income accounts for 90 percent of total farm household income. This includes outside businesses, wages and salaries, returns on investments, social security, pensions, etc. Be sure to construct as accurate an accounting as possible. Perhaps the trickier part is keeping up with all your expenses. Review receipts, check book registers, bank statements, credit card bills, etc. to help reconstruct the details. Your expenses will likely fall into two categories: fixed and flexible (also called discretionary). Fixed expenses are recurring monthly costs, like rent

Creating a Business Plan

1. Write down an overview of your business. This includes the current state of the business, its history and any major events that have had an impact on it. Also cover its legal structure, type and size of business and your management and employee structure.
2. Define your vision and long-term view of the business, including the steps you need to take to get there.
3. Explain your industry. Describe the size and history of your industry, and identify its major players. Write down any long and short-term trends or seasonal factors that have an effect on your business. Describe any economic, social, technological or political factors that could have an influence on your business or the industry. Think of any customer needs that are not being met that you have the potential to fill.
4. Identify your market and your competition. Write down how you market your production now and how you may improve or expand upon that in the future. Think: product, place, price, promotion and people. Also think about any weaknesses or strengths you have noticed in your competitors' marketing or production.
5. Describe the operations of your business, including production capacity and how you manage day-to-day activities.
6. Explain any issues related to human resources that are facing the business. This includes any gaps in skills or training you may have among your employees or any concerns about choosing a successor.
7. Identify your financial needs to run a successful operation now, and think about any additional needs you will have to reach your long-term goals. Use past financial records to help you get a sense of what you have accomplished so far and to pinpoint areas where you may need to make changes. Write down sources of capital you may have to finance your operations.
8. Describe insurance and disaster plans you have in place, and identify any areas where you may be lacking proper protection.
9. Define your expectations or fears regarding risk factors inherent in the business, including regulatory, legal, environmental and political risks.
10. Create an action plan. With a better understanding of the nuts and bolts of your business, and an honest assessment of your expectations and concerns, you can make your business everything you want it to be. Take the steps you have identified in your long-term vision and assign a timetable for reaching your goals. Then, get to it!

or mortgage payments, credit card payments, insurance premiums, utility payments, child care, and so on. Flexible expenses are things like food, gifts, entertainment, clothing, etc. Once you've captured a snapshot of your monthly financial transactions, add up all your expenses and subtract them from the sum of all your income. If the number is positive, you are earning more than you are spending each month, and you are on the path to be able to squirrel away savings for your financial goals. If the number is zero or below, then you need to take a hard look at where you can make some adjustments in your spending or your earnings each month.

4 Trim the fat. If you need to reduce your personal or operational expenses, do not despair. Think of creative ways to trim costs from your budget: consider renting farm equipment instead of purchasing it, or hiring seasonal workers instead of full-time hands. You should also shop around for price quotes on supplies you frequently purchase for your farm, like feed, fertilizer and fuel. Consider asking your preferred supplier to offer discounts to loyal customers, such as yourself. On the home front, try to buy non-perishable, frequently used items in bulk. And, instead of throwing out unused, expired perishable foods, try freezing the excess items before they spoil. If you find that your household discretionary budget is tight and you are already milking savings opportunities for all they are worth, then you should try to find ways to cut back on your fixed expenses: driving a less expensive vehicle, moving into a smaller home, reducing your usage of electricity or finding a less expensive phone plan are some examples to consider. If credit card debt is a problem for your family or you are struggling to find a way to manage your finances, you may want to seek the assistance of a reputable nonprofit agency, like Consumer Credit Counseling Service. They can help you develop and implement your budget, and work with creditors to create a realistic repayment plan. Beware, however, that there has been growth in the credit services industry, which includes some companies who are only out to take advantage of vulnerable consumers. It's best to stick with the credit counseling services that are accredited by the Association of Independent Consumer Credit Counseling Agencies or the National Foundation for Credit Counseling.

5 Plan for retirement – starting today. It is important for every working adult to think about when and if they want to retire, and how they want to spend their retirement years. More important than thinking about it is putting those thoughts in writing and coming up with a solid plan for making your retirement dreams come true. To start, think about what you want to be doing once you retire, and how you will pay for it. For example: will you be involved in the farm business in the future? Will you start a new career, or perform freelance work? Will you travel or learn a new hobby? What income will you depend on? Do you have off-farm income or investments? Will your spouse continue to work? It is impossible to predict exactly how much money you may need to last throughout your retirement, but financial experts recommend using 70% of your final salary as a starting point. If you suspect your retirement goals cannot be met with your current level of savings or investments, or if you are want some additional guidance on developing a retirement plan, you may want to consult with a certified financial planner or an investment specialist at your bank. These professionals can help you determine your potential financial needs, and what savings and investment strategies are a right fit for you.

6 Prepare for the unexpected. You can barely tune into the news these days without hearing about a terrible natural disaster somewhere in the world. For farmers, the threat of Mother

Nature's wrath can have particularly serious consequences. Among the best pieces of advice you can follow is to insure yourself and your business. The USDA has several programs in place to specifically benefit farmers. For example, crop insurance is offered to protect many farmers against production losses that result from uncontrollable circumstances. The availability and specifics of policy plans may vary by state and county, but you can get more information about this program at www.usda.gov. Additionally, the Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to eligible producers affected by natural disasters. This is a federal program that covers noninsurable crop losses and planting prevented by disasters. Eligible noninsurable crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber and may include other specialty crops such as floricultural, ornamental nursery, Christmas tree crops, turfgrass sod, seed crops, aquaculture (including ornamental fish) and industrial crops. You can contact your local Farm Service Agency (FSA) office for more information on this program. The USDA also offers emergency loans to farmers whose land has been damaged by a natural disaster (including severe drought) and who have also been denied a loan by a commercial lender. To be approved, you have to meet certain financial criteria and not have had any controlled substance convictions. You can get more information on this and other helpful programs for farmers by visiting: www.govbenefits.gov, or calling: 1-800-FED-INFO (1-800-333-4636).

7 Plan your estate. You may very well be one of those individuals who intend to live and die on your farm, with no break in between. While this can be a noble commitment to your passion or profession, you need to think about what will happen to your family and your farm after you pass on, and create a plan of action. If you do not have a will, have one drawn up. If you do have a will, review it to determine whether it should be updated to reflect any changes in your life. Also make it a habit to routinely check the beneficiary designations on all your policies and benefits – don't forget retirement and pension plans. Make sure your family knows where important documents such as insurance plans, wills, tax information, account numbers, investment information, business records, etc. are kept. Also, regularly review and update your insurance policies, including life, disability, medical and property insurance. Here are some additional things to think about:

- Do you have a successor in place and do they have the training and skills they will need to successfully manage the farm?
- Do you have a plan in place for transferring the ownership of the assets?
- Does your family understand and share your vision for your farm's future?

No one likes to plan for the loss of life, but the more actively you prepare for the inevitable and openly communicate with your loved ones about your wishes, the easier it will be for everyone to keep moving forward after you have gone.

8 Be informed. There are plenty of resources available to farmers to assist with financial planning for your family and your farm. Here are a few places to start:

- Kentucky State Treasury: www.kytreasury.com
- Govbenefits.gov: www.govbenefits.gov
- United States Department of Agriculture: www.usda.gov
- Farm Service Agency: www.fsa.usda.gov/pas/



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